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Letter Ruling 83-38: U.S. Government Contributory Annuity

May 12, 1983

You inquire about the Massachusetts income tax treatment of a contributory annuity received by a civilian employee of the Army and Air Force Exchange Service ("AAFES"), Departments of the Army and the Air Force, from the annuity fund of the AAFES upon retirement.

The AAFES is an agency of the federal government. Contributions to the annuity fund are made by payroll deductions. All eligible employees are required to participate in the retirement program. The annuity funds, and payments to retirees, are administered by the _____ Company.

Massachusetts General Laws Chapter 62, Section 2, defines Massachusetts gross income as federal gross income with certain modifications. Chapter 62, Section 2(a)(2)(E) provides that income from a contributory annuity, pension or retirement fund of the United States government is deductible from federal gross income for purposes of determining Massachusetts gross income.

In Revenue Ruling 70-71, 1970-1 C.B. 1, the Internal Revenue Service held that an annuity received by a taxpayer pursuant to the retirement plan for civilian employees of the AAFES was an amount received under a public retirement system.

Based on the foregoing it is ruled that a contributory annuity received by a retired civilian employee from the annuity fund of the AAFES is deductible from federal gross income for purposes of determining Massachusetts gross income.

Very truly yours,

/s/Ira A. Jackson

Ira A. Jackson

Commissioner of Revenue

IAJ:MTD:mf

LR 83-38

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